



9/2/2021: Uranium Re-up...

There have been important technical moves in the uranium space the past few days, hitting some key levels we've been waiting on... And the kicker is, these moves are being *driven* by the fundamental bull thesis we laid out back in May.

Here's an excerpt from that report.

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*We're big uranium bulls for the reasons we outlined in "[Total Energy Flux](#)" and "[A Hungry World](#)".*

*We've been in Centrus Energy (LEU) a company focused on HALEU for small modular reactors (SMRs) with close ties to the Biden administration.*

*The stock has done well for us but there's good reason to believe the trend is only getting started. Some of this optimism is born from very positive headlines that have come out over the past week.*

*The big one being the news that Spratt, the global resource-focused asset manager, is taking over Uranium Participation Corp (U:TSX). U:TSX is an investment holding company that invests in physical uranium.*

*This matters for a few reasons:*

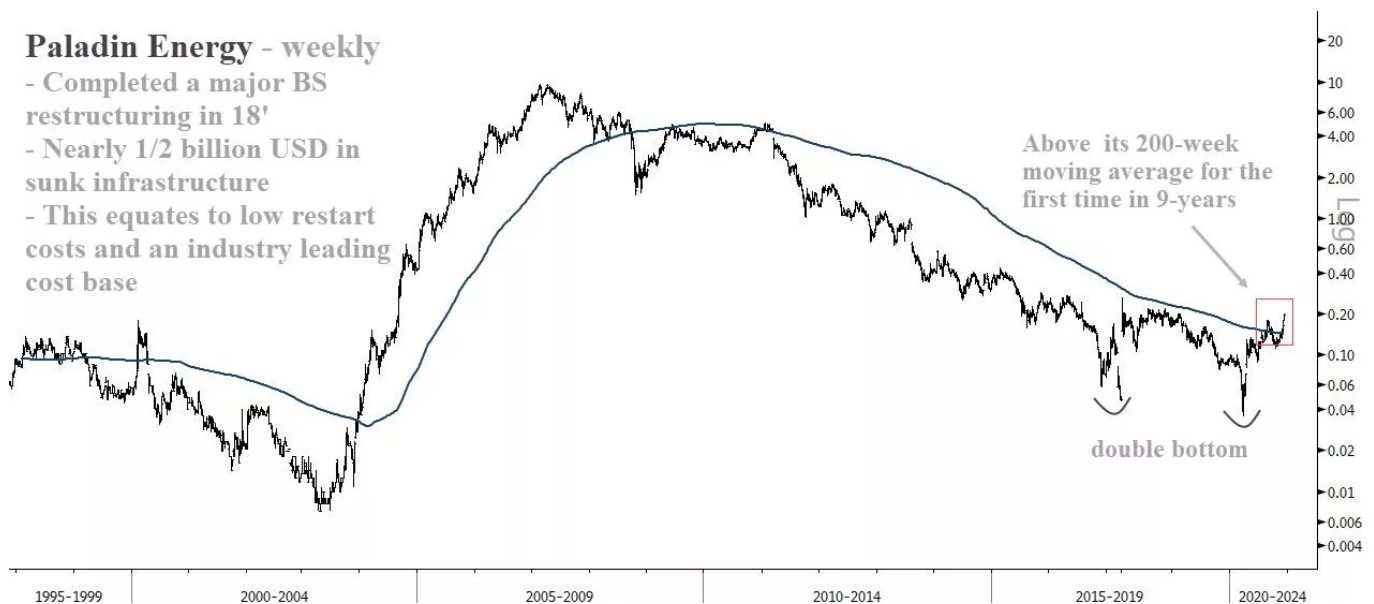
- 1. This will create an NYSE traded closed-end fund opening the door to big money versus what was a pink-sheet TSX vehicle that vastly limited the potential pool of investors*
- 2. U:TSX wasn't able to issue shares at the market (ATM) and had to trade at a premium to NAV before it would purchase more uranium*
- 3. This meant that investors shied away from buying at a premium, knowing they'd be diluted. Importantly, this lessened the feedback loop to the pricing of the uranium spot market*
- 4. The new vehicle will issue shares at only a slight premium and subsequent purchases of uranium in the spot market will be made close to real-time ATM. This will create a direct investor demand impact on spot market pricing for the first time ever*
- 5. The spot market has long been set by the utilities whom after getting burned 14yrs ago, have stuck to long-term contracts with price ceilings*
- 6. This created an illiquid buyer controlled market which helped lead the trend lower in spot and the ensuing collapse in miners, from over 500 a decade ago to less than 50 today*
- 7. Essentially, this move brings liquidity to the market and active price discovery where investors will play an increasing role (**think what GBTC has done for BTC**)*
- 8. This, in turn, will change how buying is done by utilities as it will give pricing power back to sellers and altering utility demand behavior*



We're also seeing the Green/renewable crowd begin to come around to the fact that we cannot reach our climate objectives without aggressively utilizing nuclear as a baseload energy source. The Biden administration is getting in line, recently signaling to lawmakers that it plans to [extend subsidies](#) to the industry.

The conditions have been set for a renewed bull market in uranium for over 18-months now. These developments are just additional catalysts that will help kickstart this trend into high-gear over the coming months and years.

We plan to add to LEU on a break from its current range. We're also going to buy a position in the Australian producer Palladin Energy PDN:ASX. A uranium miner we've discussed a number of [times](#) over the last 18-months.

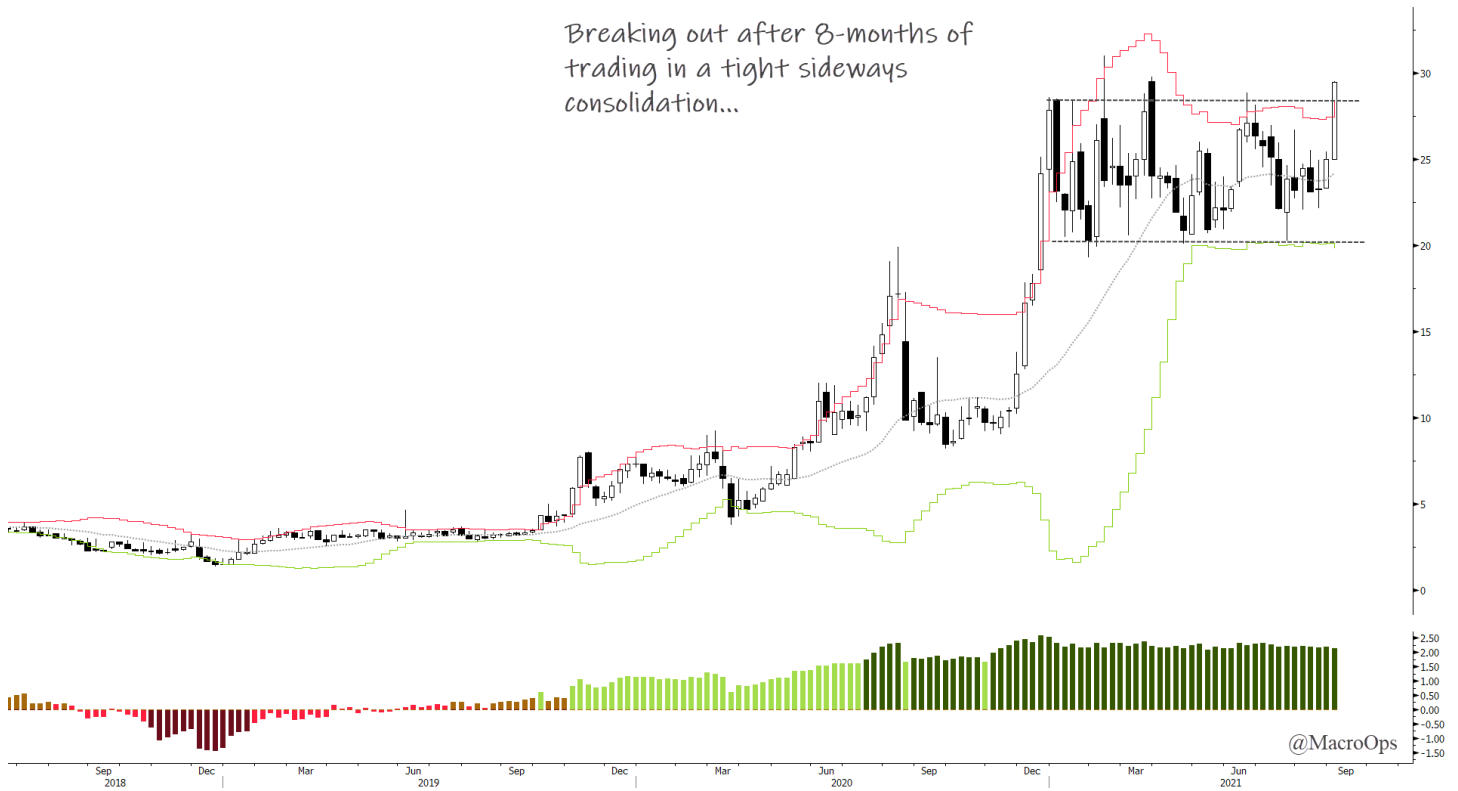


After trading in a tight sideways range for 8-months, both LEU and PDN:ASX are finally breaking out.

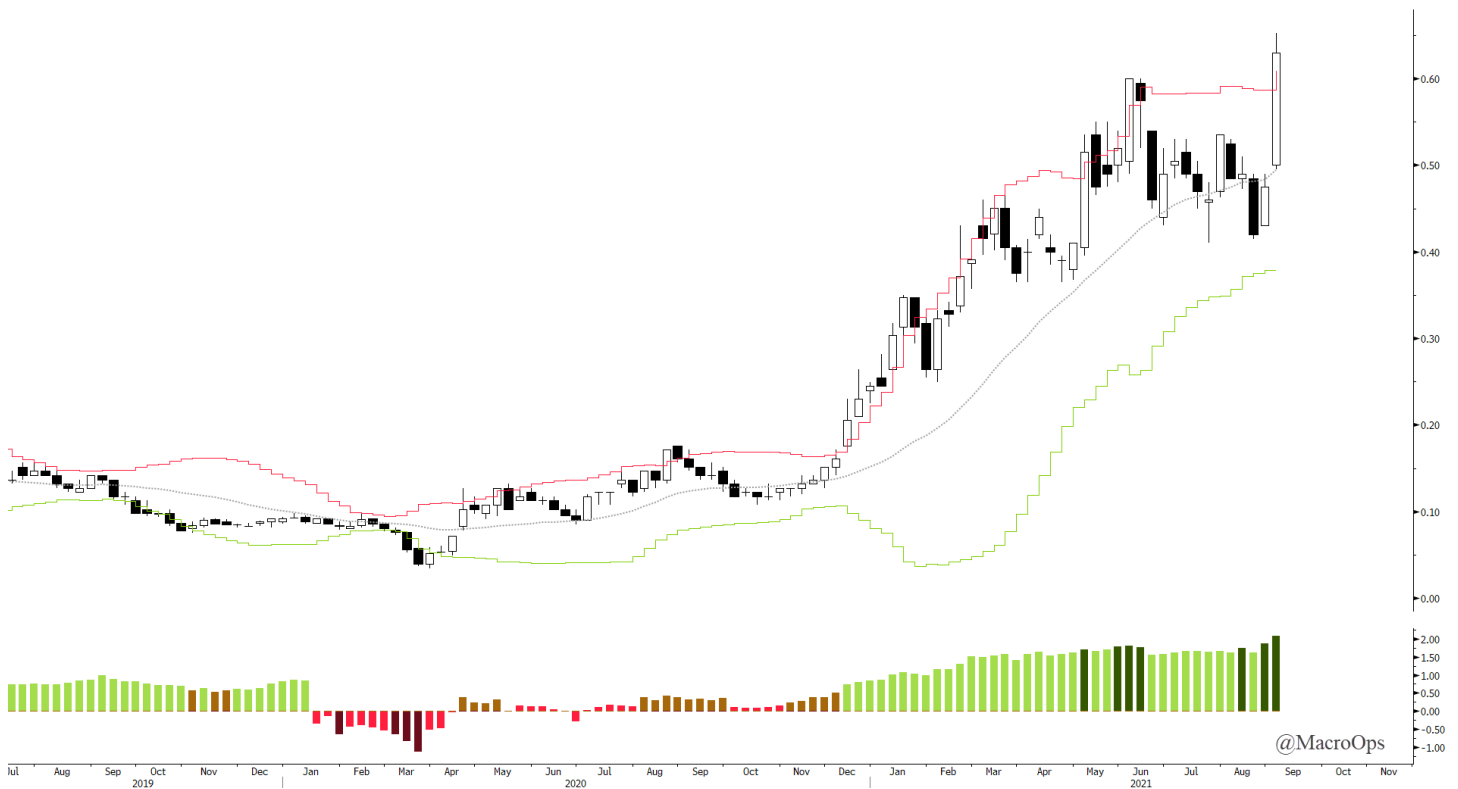


### Centrus Energy Corp (LEU) - weekly

Breaking out after 8-months of trading in a tight sideways consolidation...



### Paladin Energy LTD (PDN:ASX) - weekly





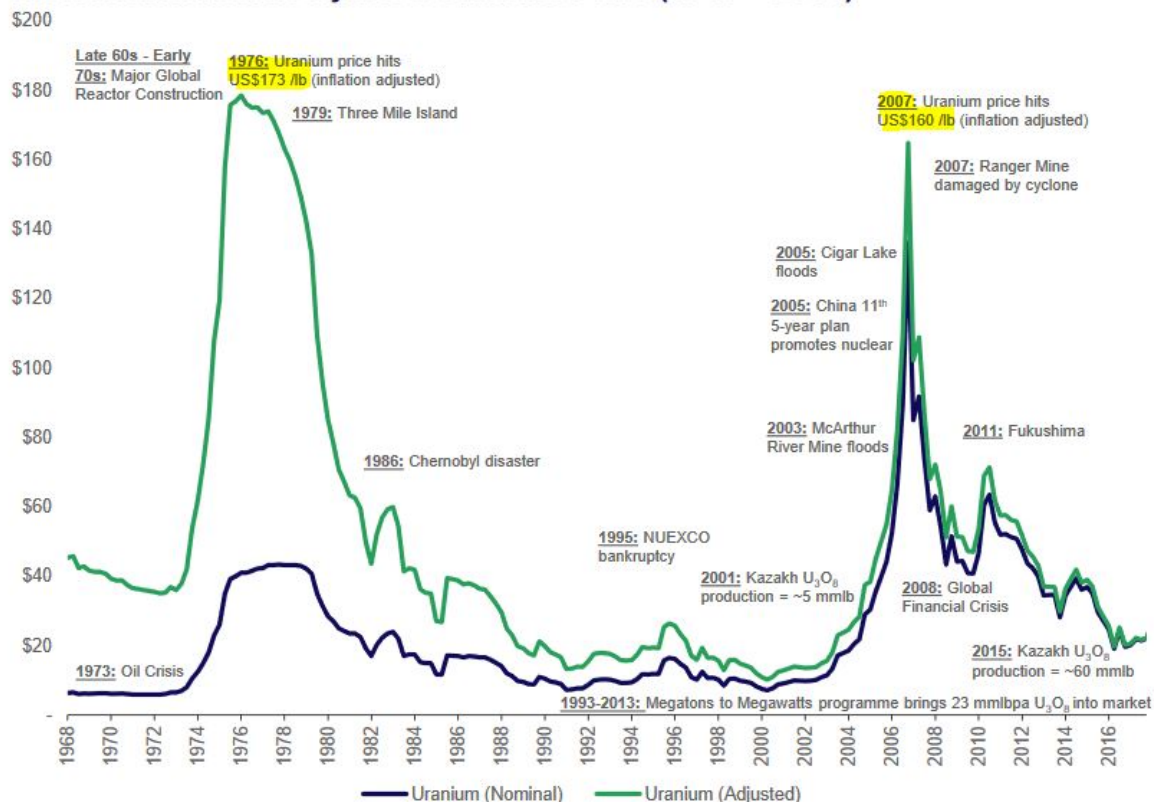
These breakouts are being driven by the increasingly strong fundamentals outlined above. Uranium spot prices are making new multi-year highs. The market is in a deficit. And the Sprott Physical Uranium Trust is driving this deficit wider.

Our friend Kuppy summed the situation up well in a recent post ([link here](#)), writing (with emphasis by me):

*Sprott Physical Uranium Trust commonly known as SPUT (U-U – Canada), is the entity that has upended the uranium market. Since launching its ATM 13 days ago, it has acquired 2.7 million pounds of uranium. This is an average daily rate in excess of 200,000 pounds or roughly a third of global production on an annual basis. If GBTC is the roadmap to follow, as the price of uranium begins to appreciate, the inflows into the trust should accelerate. Interestingly, there are plenty of other entities also purchasing physical uranium, uranium that utilities were counting on for their future needs. The squeeze is on.*

The uranium bull market is on. The supply conditions have been setting up for the last two years and now demand has inflected into a stronger sustainable trend. Wide-scale global adoption of nuclear power is the *only* way we get anywhere close to meeting our lofty emission targets. I don't know where the price of uranium will peak during this cycle, but looking at the forward supply/demand path makes \$200/lb+ likely.

### Historical Inflation Adjusted Uranium Price (1968 – 2016)





We're still very much in the early innings of this bull market. There will be a lot of money to be made on this trend as uranium bulls can run like a radioactive bat out of hell.

We're adding to our position in LEU and entering a position in PDN:ASX (at market open). Details for the trades are below:

#### **Add to Centrus Energy Corp (LEU)**

- **Entry:** \$30.00
- **Stop:** \$23.00
- **At-Risk:** 75bps

#### **Buy Paladin Energy Ltd (PDN:ASX) on market open**

- **Entry:** 0.63-0.66 (AUD)
- **Stop:** 0.46 (AUD)
- **At-Risk:** 100bps

We'll be out with more soon. Until then, stay safe and keep your head on a swivel.

Your Macro Operator,

Alex